

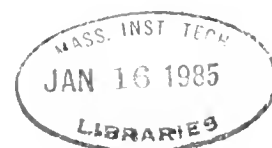
BASEMENT







Dewey



U.S. INDUSTRIAL RELATIONS IN TRANSITION:  
A SUMMARY REPORT\*

Thomas A. Kochan, Robert B. McKersie  
and Harry C. Katz  
Industrial Relations Section  
Sloan School of Management  
Massachusetts Institute of Technology

SSM WP #1617-84

December 1984



U.S. INDUSTRIAL RELATIONS IN TRANSITION:  
A SUMMARY REPORT\*

Thomas A. Kochan, Robert B. McKersie  
and Harry C. Katz  
Industrial Relations Section  
Sloan School of Management  
Massachusetts Institute of Technology

SSM WP #1617-84

December 1984

\* This summary paper was prepared for presentation at the Annual Meetings of the Industrial Relations Research Association, December 28-30, 1984 in Dallas, Texas. Funds for this research were provided by the Alfred P. Sloan Foundation. We thank the Sloan Foundation for its support, however, the contents of this paper are solely the responsibility of the authors. The findings and conclusions reported here draw on work completed by the following faculty and students who participated in our research team over the past three and one half years: Peter Cappelli, John Chalykoff, Joel Cutcher-Gershenfeld, Henry Farber, Casey Ichniowski, Janice Klein, Nancy Mower, Michael Piore and Anil Verma.





U.S. INDUSTRIAL RELATIONS IN TRANSITION:  
A SUMMARY REPORT\*

Thomas A. Kochan, Robert B. McKersie and Harry C. Katz  
Industrial Relations Section  
Sloan School of Management  
Massachusetts Institute of Technology

December 1984

\* This summary paper was prepared for presentation at the Annual Meetings of the Industrial Relations Research Association, December 28-30, 1984 in Dallas, Texas. Funds for this research were provided by the Alfred P. Sloan Foundation. We thank the Sloan Foundation for its support, however, the contents of this paper are solely the responsibility of the authors. The findings and conclusions reported here draw on work completed by the following faculty and students who participated in our research team over the past three and one half years: Peter Cappelli, John Chalykoff, Joel Cutcher-Gershenfeld, Henry Farber, Casey Ichniowski, Janice Klein, Nancy Mower, Michael Piore and Anil Verma.

MIT LIBRARY  
JAN 16 1985  
RECEIVED

For the past three and one half years members of our research group have been engaged in a series of related research projects designed to : (1) update our understanding of current practices in industrial relations at the level of the firm, (2) assess and interpret the changes in practice that have been occurring over a number of years, and (3) reformulate industrial relations theory based on our empirical findings in ways that better explain the dynamics of the U.S. industrial relations system. A variety of interim publications have reported various aspects of our work and we are presently drafting a final book that draws together our findings and highlights their theoretical and policy implications (See the bibliography for a partial list of publications from the project). The purposes of this paper are to summarize the main conclusions of our research and contribute to the emerging debate over the causes, characteristics and future consequences of the rapid and widespread transformations occurring in the U.S. industrial relations system.

#### The Strategic Choice Framework

To understand those transformations requires going beyond a description of the recent visible changes in collective bargaining. Instead it is necessary to analyze the historic and dynamic evolution of industrial relations in both the union and nonunion sectors of the American economy. The theoretical framework that we have developed for this task stresses the interactions between environmental forces and the values and

strategic choices of management, labor organizations, and government policy makers. Moreover, the framework recognizes the importance of the interrelationships among three levels of industrial relations activity within the firm: (1) the workplace level where individuals and work groups interact with supervisors, local union representatives and coworkers on a day-to-day basis, (2) the middle tier where collective bargaining or personnel policies are negotiated or designed, and (3) the highest level of strategy formulation where long run values, business strategies and priorities are established. A more complete description of this framework will be provided in our final book. The sections to follow highlight how we use this framework to interpret the historic evolution and contemporary features of U.S. industrial relations in the private sector.

#### Foundations of the Industrial Relations System

We use the term "industrial relations system" to describe the broad values, laws, institutions, and practices that govern employment relationships and in this way our research domain overlaps with that proposed by John Dunlop in his seminal book Industrial Relations Systems. Where our framework differs from Dunlop's is through its emphasis on the need to consider both the critical features that structure U.S. industrial relations and the dynamic interplay between union and nonunion employment systems.

With regard to the critical features that shaped collective bargaining in the post war years we believe the driving forces

were New Deal legislation, the policies of the World War II War Labor Board, and the views of the Board's administrators who thereafter moved on to private positions as leading scholars, mediators, and arbitrators. Four characteristics of the post war industrial relations system are central to understanding the current transformation of that system.

First, the passage of the National Labor Relations Act (NLRA) reflected a choice of collective bargaining as the cornerstone of labor policy. As such it implied a choice of the middle tier of our three tiered framework as the preferred focus of labor-management negotiations and interactions. Orderly representation procedures were designed to insure that collective bargaining would diffuse to any setting where a majority of workers expressed a preference for this process and it was hoped that the continuity of the bargaining relationship encouraged by the law would lend stability to the relationship. Thus, with the law's passage unions were expected to achieve a more stable and lasting place in the American economy than they were able to attain in prior decades.

Within this collective bargaining system the principle evolved that management was free to make basic entrepreneurial and managerial decisions. The role of unions and collective bargaining was to negotiate and enforce contracts over the impacts that managerial strategies had on wages, hours, and other conditions of employment. But unions were not expected to directly intervene into the formation of the firm's basic business decisions.

A second key feature of this industrial relations system that evolved over time at the workplace level of industrial relations was a "job control" form of contractual regulation. Job control unionism is characterized by highly formalized and comprehensive contracts enforced by a grievance arbitration system, a work organization system in which individual worker rights and duties are tightly specified and linked to specific jobs, and strict lines of demarcation that separate bargaining units from each other and from supervisory work. Industrial democracy in this model takes the form of industrial jurisprudence delivered through the day to day enforcement of the contractual rights and responsibilities of each party.

A third feature of the post New Deal industrial relations system was the expectation that macro economic policies would provide a supportive economic climate for collective bargaining. A commitment to expansionist fiscal and monetary policy followed from the Keynesian theory that the depression was caused by under consumption and inadequate purchasing power. Activist government demand management was expected to provide the economic growth and expanding markets that would support the union and management wage policies that dominated collective bargaining.

Those wage policies relied heavily on the principle of wage comparisons or standardization across broadly defined product markets and steadily increasing real wage levels. The bargaining outcomes produced by these wage policies were consistent with the macro economic environment as long as markets were expanding and unions were successful in organizing a sufficient portion of these

markets so as to spread union wage levels across competitors. Hence, as long as unions were able to "take wages out of competition", the economic outputs of collective bargaining were accepted by employers as tolerable.

A fourth characteristic of the system was a political environment in which unions defended the principles of free enterprise and rejected a fundamental transformation of the capitalist system. Labor's political platform favored social and labor policy improvements that both benefited all workers and set a floor on which collective bargaining could build and expand.

In return management was expected to accept the rules of the game embodied in the NLRA. That is, while management was not expected to give up its historic philosophical opposition to unions, unionized employers were expected to adapt to collective bargaining by professionalizing their industrial relations functions and by seeking innovative ways to manage effectively and productively within the bargaining system.

By and large the system evolved in ways generally consistent with these expectations between 1930 and 1960. But after 1960, a number of new management principles and practices began to evolve quietly and set the stage for the recent more visible changes in collective bargaining. As we argue more fully below, management has been the driving force and major catalyst for the changes occurring in U.S. industrial relations over the last twenty five years.

## Evolution of the Nonunion Model

The dominant industrial relations system of the 1930 to 1960 period was collective bargaining and job control unionism. In contrast, the dominant development of the post 1960 period has been the slow but steady growth of nonunion human resource management systems. While nonunion employment relationships have always existed for a majority of white collar and managerial employees, and for some blue collar workers, throughout the 1940s and early 1950s the rapid growth of unions in the private sector and the shock effects of the innovations introduced under collective bargaining set the standards for nonunion personnel systems. (Slichter, Healy and Livernash, 1960; Jacoby, 1985)

During the formative years of the post war collective bargaining system, however, a number of major companies were able to avoid unionism e.g. IBM, Motorola, Eli Lilly, Sears and Roebuck and Delta Airlines. The policies that these firms instituted obviated the need for unionism through the establishment of comprehensive personnel policies. The role of these "union free" companies is extremely significant in that they illustrated that it was possible to operate nonunion in the U.S. These companies also provided the experimentation and experience that led to the development in the 1960s and 1970s of a full fledged nonunion human resource management system, and a system that spread throughout the economy.

These observations lead to one of the central conclusions of our research -- that somewhere in the 1960s the leadership and innovative position shifted from union to nonunion employment



systems. As collective bargaining matured along with the industries where unions had successfully organized in the previous decades, the stability produced by professionalized union-management relations became less responsive to growing environmental, organizational and workforce pressures. These pressures included rapid inflation, international competition, declining union organizing effectiveness, and slowdowns in U.S. productivity and product market growth. Meanwhile, in defiance of these pressures, management bargainers emphasized maintenance of the status quo and unions continued to stress wage comparability and improvements in real wages (Freedman, 1979; Kochan, 1980). A number of studies have documented the resulting increase in the relative wage effect of unions during the 1970s. For the 1950s and 1960s, the relative wage effect was 10 to 15%, by the end of the 1970s it had grown to 25 to 30%. (Flanagan, 1984)

Why and how did an alternative nonunion human resource management system emerge during this period? What were and are its central characteristics? A major part of our research seeks answers to these questions. We will only be able to provide a brief overview of our conclusions here.

To answer the question of why the nonunion sector expanded rapidly after 1960 it should be recognized that the majority of American managers never abandoned their philosophic opposition to unions. Rather, the growth of unionism seemed inevitable in the 1940s and 1950s. The costs to management of opposing unions were too high to merit the risks and instability needed to exploit

nonunion alternatives. However, as new industries began to emerge and grow in the 1960s and 1970s and as existing firms began to take advantage of the improved transportation system and lower costs of the Sunbelt, the number of new plants opened on a nonunion basis increased.

The "greenfield" (nonunion) site strategy fit growing firms and those that had flexibility in site location. In industries where firms were locked into specific sites (e.g. steel) or geographical markets (e.g. construction), the emergence of the nonunion sector came more slowly and in some cases came through new entrants such as mini-mills in the steel industry.

At the same time as economic restructuring was beginning to intensify, the growth of white collar and managerial employees, along with pressures from government regulations, elevated the status and influence within management of a new group of human resource professionals. Unlike their industrial relations staff colleagues these professionals stressed the application of behavioral science training and skills designed to manage and motivate individuals rather than the legal and industrial relations skills needed to negotiate and arbitrate collective bargaining disputes. The emergence of these new professionals increased the feasibility of implementing an alternative model of employee relations. This new model was more consistent with top management values and more adaptable to the changing environment when compared to the collective bargaining alternative.

The new nonunion model consists of personnel systems that either match union wage and fringe benefit levels in labor

markets where unions dominate or pays wages higher than competitive norms in rural or southern labor markets (but wages that are lower than the union rates found in the more highly unionized markets). At the workplace, the new personnel systems emphasize greater flexibility in job design and work organization, more extensive communications and participation in task related decisions, and other behavioral science strategies designed to increase the commitment, loyalty and job satisfaction of employees. As a result, employees have fewer incentives to unionize.

One key agent involved in the delivery of human resource management is the first line supervisor. Companies following this model devote considerable resources to the selection, training and support of supervisors, although not always with complete success. In addition, the sensitivity and commitment of the plant manager to innovative work practices often is a critical determining factor of the success of those practices.

At the corporate level, the firms implementing these strategies often elevate human resource executives to the top staff position in employee relations, in some cases by displacing the industrial relations executives who had occupied the top position during earlier periods. Moreover, because of the pressures of government regulations, the tightness of managerial and technical labor markets, and the importance of innovative human resource management policies, these staff specialists are more likely to be brought into longer run strategic planning and business decision making processes than their industrial relations counterparts.

Thus, the nonunion human resource management system that emerged has characteristics at all three tiers of industrial relations activity that differ markedly from more mature collective bargaining systems. It is important to note, however, that we are not arguing that all nonunion plants or firms evolved in this way and use the sophisticated and comprehensive personnel systems described above. Neither had all growing and expanding unionized firms in the post New Deal period followed all aspects of the collective bargaining model. What is clear, however, is that the pattern setters of each respective period followed these different models.

Although our research is not able to provide precise estimates of the scope or magnitude of these new nonunion systems at various points in time, there is ample evidence of their effects on the collective bargaining sector. Our case study data and quantitative data collected in two Conference Board surveys of managerial labor relations practices clearly document the success of corporate union avoidance strategies (see Freedman, 1979 and forthcoming). Furthermore, these data show the roles economic restructuring and workplace innovations played in helping to keep unions from organizing new facilities opened since the 1960s. This pattern is especially strong in the more decentralized and partially unionized firms that did not negotiate centrally with a dominant union capable of neutralizing the union avoidance strategy.

Specifically, the Conference Board data show that significant declines in union membership occurred between 1977 and 1983 in

firms that (1) assigned a high priority to union avoidance as a labor relations strategy, (2) opened new plants, (3) introduced workplace innovations in nonunion facilities, and (4) lacked the presence of a dominant union representing employees anywhere in the firm. Our case study data also document a huge gap between the average ages of union and nonunion plants within a sample of decentralized corporations that experienced significant growth and diversification after 1960. Moreover, the Conference Board data demonstrate that our case study findings generalize to a large sample of manufacturing and nonmanufacturing firms. These factors help explain the steady decline of unionism, particularly in partially organized firms over the course of the post 1960 time period.

Within these general trends we discern other influences that are harder to quantify. For example, companies similarly situated adopt different strategies with respect to how aggressively they seek to expand their nonunion operations. At one extreme are firms that seek to operate on a nonunion basis only in new plants while they continue to invest in existing organized facilities. Other companies slowly shift product lines and employment away from core (union) to satellite (nonunion) facilities. Then there are some companies that work actively for the decertification of unions. The choice of strategy appears to hinge on such factors as the outlook of key decision makers, risk preferences, and the counter strategies of the particular unions that are involved.

With regard to the workplace level performance of union and nonunion systems, qualitative case study and plant level quantitative data lead us to conclude that (1) the performance of workplace level industrial relations systems can significantly affect the economic performance of the firm, and (2) while there is great variability in the features and performance of plants within the organized and unorganized sectors, on average, unorganized plants currently have higher economic performance than organized plants. The advantages held by nonunion plants arise from the fact that they tend to be newer, have lower labor costs, greater flexibility in work organization, more communication, and more worker participation in production decision making.

We stress, however, that this performance advantage is partially a function of differences in plant age and work systems. Our findings do not imply that there is an inherent performance disadvantage caused by the presence of a union. Instead, they imply that the current performance advantages of nonunion operations exert tremendous pressure on unionized establishments. This competitive pressure was exacerbated by the recession of the early 1980s and triggered an unparalleled amount of change in traditional collective bargaining practices. Some of our research therefore focuses on understanding the response by the union sector to these pressures. One objective of that research is to determine if these responses close the gap between union and nonunion performance, provide the groundwork for unions to recapture the leadership role in personnel practices, and/or reverse the decline in union membership.

## Changes in the Unionized Industrial Relations System

The most visible set of changes in collective bargaining in the 1980s occurred at the middle tier of the system through what has come to be known as concession bargaining. Since this topic has been discussed at recent IRRA meetings (Cappelli, 1982 and 1983), we will only summarize our major conclusions concerning its overall effects on the unionized industrial relations system.

Concession bargaining has introduced major changes in the bargaining process and bargaining outcomes. Significant bargaining process changes include a decentralization of bargaining structures, new forms of communication during and regarding negotiations, and an increased role for top financial and operating management in the bargaining processes. Since these process changes alter many longstanding and formerly institutionalized practices, we suspect that they will have greater long run significance than many of the more well publicized pay and work rule concessions. The bargaining outcomes that are likely to have lasting effects are those that involve an expansion of the bargaining agenda. These include agreements that provide employment guarantees or work rule changes that significantly alter the organization of work. In some cases, concession bargaining appears to be part of labor and management's experimental efforts to introduce an industrial relations system far different from traditional practices. It is revealing that some of the changes made to work organization in these more far reaching experiments move unionized systems closer to the features of some of the most innovative nonunion systems.

It is no accident that union systems are moving in this direction. The important changes occurring at the workplace<sup>(level)</sup> of industrial relations are designed to compete with the higher levels of participation, flexibility and lower costs of nonunion alternatives. Our research has examined a large number of workplace change efforts underway in the union sector, again through a mixture of case studies, surveys and econometric analyses (see Katz, Kochan and Gobeille, 1983; Kochan, Katz, and Mower, 1984; Katz, forthcoming). On the basis of this work we conclude the following:

1. Quality of work life (QWL) processes and other participatory processes diffuse slowly across organizations, and rarely have diffused to the point where all, or even a majority of workers, participate in the QWL process on a continuous basis.
2. QWL processes appear to be successful in improving the level of trust and motivation of employees for a period of time. The maintenance of these attitudinal improvements on a continuing basis, however, depends on the extent to which QWL programs are either reinforced or jeopardized by events that occur at the higher levels of collective bargaining and strategic decision making. Major layoffs, management demands for concessions, conflicts over union avoidance or recognition in nonunion facilities, etc. can all threaten the continuity of improved workplace relations, slow or stop the diffusion of



the QWL process, and lower the contributions of QWL to organizational performance.

3. The independent contributions of QWL to organizational performance, at least as measured by such things as labor costs and product quality, are rather marginal. However, QWL processes that include modifications in the organization of work have had a more significant positive impact on costs, productivity, employment, member satisfaction with union performance, and other performance measures.
4. Not all QWL processes are successfully institutionalized and move beyond the experimental stage to become a lasting feature of the unionized industrial relations system. Those most likely to get institutionalized are ones where:
  - (a) the local union is an active joint partner with management in the process;
  - (b) the process produces tangible improvements in organizational effectiveness for employers and employment or income security for the workforce, and;
  - (c) management and labor union officials see the process as an integral part of their respective longer run strategies for running the business and representing their members.

Thus, it is clear to us that the combination of innovations in employee participation and work organization can and have helped to close the performance gap between union and nonunion systems. But, while progress is being made in selected settings, the magnitude of the improvements and the rate of diffusion of these changes have not been sufficient to stop the continued erosion of union membership and coverage.

This conclusion leads to one of the major implications of our research for the labor movement: It will take significant changes in union strategies to counter further union declines and to recapture the innovative position in U.S. industrial relations.

Some unions have begun to respond to this challenge. While we do not have a great deal of empirical evidence from our research on the nature, amount, or effects of new union representational strategies, several options that are currently in the trial stage or are under active consideration can be briefly highlighted. It will remain the task of future research to evaluate their effects.

#### Experiments with New Union Strategies

One way unions can more directly influence management strategy is found in the increasing number of firms that share information and consult with union leaders about major business issues, competitive costs, technological changes, or other factors affecting long run employment prospects. This type of information sharing often has grown out of concession bargaining in industries such as airlines, autos, and retail food. Another

way unions can gain on-going access to managerial decision making is for unions and workers to obtain one or more seats on the board of directors of their firms. Again, examples of this are found in some airlines and other firms that have experienced significant financial crises and economic restructuring.

A more direct but less continuous response is what we would call strategic bargaining, i.e., negotiations that specifically involve tradeoffs of changes in wages, benefits, or other contractual provisions in exchange for new investment or employment commitments. A recent example is the agreement between General Electric and the International Union of Electrical Workers (IUE) in Lynn, Massachusetts in which the company agreed to build a "factory of the future" in Lynn whose workers would be IUE members in return for major changes in the way work is scheduled, jobs are organized, and compensation is determined. Xerox and the Amalgamated Clothing and Textile Workers Union negotiated a 1983 agreement that guaranteed employment continuity for three years in return for both fringe benefit concessions and the right to allow QWL teams to explore changes in work organization and practices before subcontracting out uncompetitive work. The key feature of these types of strategic bargains is that they build on and reinforce the sharing of information and the improved workplace relationships that have grown out of QWL processes. These bargains thus provide a more coherent link across the changes being introduced at different levels of the industrial relations system.

Still another type of joint strategic initiative is found in industry committees or joint processes such as the Joint Labor Management Committee in the Retail Food Industry and the International Masonary Institute. Both committees have engaged in high level discussions and joint research projects, some of which have produced tacit or explicit agreements over changes to be encouraged at more decentralized levels of bargaining.<sup>1</sup>

Perhaps the most significant form of strategic bargaining is found in cases where firms voluntarily recognize unions in new plants and the parties jointly agree on the design of new work systems and contractual relationships. General Motors and the United Automobile Workers Union have a number of such new plant agreements in place. Project Saturn (the joint GM-UAW study group exploring alternative ways to build small cars) is of enormous scale and already has involved extensive involvement by the UAW in business decisions, thereby making it an extremely important example of such processes. Phillip Morris and the Tobacco Workers have a new plant in Alabama operating with jointly planned innovative work practices. Such agreements will test whether new plants designed with up-to-date technology and with a flexible/high participation workplace industrial relations system can match or better the performance of new nonunion plants. Evaluation of these experiments must await further time to amass significant experience and comparative data.<sup>2</sup>

New organizing strategies are also emerging using variants on the theme of "corporate campaigns" designed to neutralize employer opposition to unions during organizational drives.

Efforts to gain greater control over the use of pension funds are underway in some unions and industries. Again at this point we can only cite isolated examples of how various union representatives are attempting to gain greater access to and influence with the corporate executives who make the value judgements and strategic decisions that affect the long run character of the industrial relations systems.<sup>3</sup>

### Conclusions and Implications for the Future

Our theoretical framework emphasizes that industrial relations outcomes are not predetermined by environmental forces, but are the product of interactions among the environment and the strategic choices of the parties. It should be kept in mind, however, that these "choices" are not made by single monolithic representatives, are not always consciously thought out or planned decisions, and are constrained by various environmental conditions. Consequently, the U.S. industrial relations system will continue to display considerable diversity in the future as it has in the past.

Given the above caveat, we believe there is a central contradiction in the current operation of U.S. industrial relations. Leaders from all parts of society including many corporate executives are calling for an expansion of cooperative efforts at the workplace. They are also asking union leaders and members both to support these cooperative efforts and to continue moderating their wage demands. At the same time the dominant trend in strategic business and industrial relations decision

making at the highest levels within firms is to shift investments and jobs to nonunionized employment settings. Moreover, government policies are not creating an environment in which the labor movement can feel secure about its future as a viable force in American society. It is hard for us to see how unions can continue to act cooperatively in this environment while their basic security is being questioned and undermined. Thus, if the environmental and strategic patterns of the past decade continue we would expect (1) further shrinkage of unionized employment and membership, (2) more pressures on union leaders to withhold their support for cooperation and innovation at the workplace, and (3) more frequent confrontations between unions and companies as unions interpret their situation as one of a life or death struggle for survival.

As (or if) private sector union membership continues to erode we can expect a gradual weakening of the threat effects of unions on unorganized firms. As a result, we would expect a slowing of the rate of innovation in human resource management policies in nonunion firms unless or except in those situations where the declining union threat is offset by significant pressures from labor market shortages, government regulations, or top corporate executives committed to innovative policies. Innovative nonunion policies also are more likely to continue and even expand where the economic contribution of these innovations is high and creates a momentum of its own. Whether at some point the net outcome of the declining threat effect from unions produces a resurgence in demands for unionization or some new employee

representational structures within nonunion firms depends on the strength of these countervailing forces.

The contradiction between cooperation and union avoidance is strongest in partially unionized firms. However, similar contradictions among the three levels of industrial relations activity may emerge in unorganized firms as their plants, business units, or industries move to advanced stages of their life cycle and experience more significant pressures for labor cost modification. To avoid these problems unorganized firms will need to: (1) prevent the increasing rigidities in work organization that are associated with age, (2) keep compensation costs low enough to discourage new competitors from entering their markets, and (3) plan orderly adjustment mechanisms for their workers when economic and organizational restructuring intensifies.<sup>4</sup> Again we would expect that only those firms whose top executives maintain a strong commitment to progressive human resource management values and are supported by strong human resource staff professionals will be likely to avoid the development of internal contradictions in later stages of their life cycles. Those nonunion firms whose sole competitive advantage is the payment of low wages sooner or later are likely to face significant interest in unionization among their workforce.

Deviating from this dominant pattern will be the variety of innovations in the most highly unionized firms where union avoidance is not a short term viable alternative for management. The prospects in these settings depends on the ability of

workers, unions, and management to integrate strategies and practices across the three levels of industrial relations. Such an integration would have to build on current efforts to introduce innovative work systems, moderate the growth in compensation (in some cases through the introduction of some form of contingent compensation) and expand high level consultations between executives, staff professionals and union representatives over long term business, investment, and employment stabilization strategies. The success of this strategy will be greatly affected by future macro economic developments. Another deep recession will enhance the pressures on employers to shift to the dominant union-avoidance strategy outlined earlier. At the micro level the success of a cooperative strategy is dependent on the ability of employers to identify a market niche (or some alternative competitive strategy) so as not to have to rely on being a low cost producer. Viable cooperative firms are those that are high productivity/high wage competitors.

For American unions to avoid anything but continued erosion of membership will depend on their ability to: (1) promote cooperation and innovation at the workplace where they currently represent employees, (2) link continued workplace cooperation and innovation to involvement and influence in the strategic business and government decisions that affect long run employment and membership security, and (3) pursue new organizing strategies.

Although cooperation and innovation at the workplace and an effective presence in strategic business decision making are necessary, they are unlikely to be sufficient to stimulate a



resurgence of American unionism. For, if previous resurgences of the American labor movement are a guide (the 1930s for the private sector and the 1960s for the public sector), significant union growth also would require a combination of major changes in the political, economic and social environment; new legislation that fosters or supports new forms of representation; and the stimulus of a rival form of unionism or representation from outside of the existing union structure.

In summary, we predict a continued deterioration of the traditional New Deal model of industrial relations, some increased pressures on nonunion human resource management systems as they age and mature, and intensified competition and conflict alongside efforts to sustain cooperation and innovation within both systems. The net outcome can only be predicted or explained by more specific modeling of the interactions among environmental forces, values, and strategic choices. We invite our research colleagues to join us in developing and evaluating these more specific models. We also encourage those who will make these strategic choices to engage in open discussion, debate and analysis of their long term effects on industrial relations and American society.

## Footnotes

1. The "market recovery" programs in the construction industry currently are receiving considerable attention. Other examples of this type of program have appeared in the past with many similar characteristics. In all these cases the relevant industry is under considerable economic pressure and the industry is only partially organized, but a dominant union is involved. The more longstanding examples of these programs involving the Amalgamated Clothing Workers (men's clothing) and the ILGWU (women's clothing) need to be better understood to predict the prospects for ongoing industry-level recovery programs.

2. In addition to joint experiments with management, a number of internal strategic debates, analyses and experiments have been initiated within the labor movement. Clearly, the decision to endorse a presidential candidate early in the primary season for the 1984 election must be viewed as one example of an AFL-CIO strategy shift. At least two major international unions (the Communications Workers and the Bricklayers) have undertaken strategy planning exercises to explore the long term prospects of their unions. Furthermore, the AFL-CIO has established a Future of Work Committee chaired by the Secretary Treasurer. The committee has met with a variety of experts and gathered a great deal of data to help consider alternative directions for the future of the labor movement.

3. The new union system is characterized by a neo-craft approach at the workplace level, market-based collective bargaining and a high degree of consultation on strategic matters. But it is too early to tell whether such a configuration can endure in the U.S. While such a system has some similarities to Japanese enterprise unionism and West German co-determination, it necessarily has distinctive U.S. qualities so as to fit with the special history and environment of the U.S. We are mindful of somewhat similar cooperative efforts that eventually failed such as various "mutual survival programs" and "creative collective bargaining" initiatives.

4. For example, a number of high technology firms have told us that the biggest challenge they face in the next several years is continuing to deliver employment security in the face of rapid economic change and low natural attrition rates.

## References

Dunlop, John T. Industrial Relations Systems (New York: Holt, 1958).

Flanagan, Robert J. "Wage Concessions and Long Term Wage Flexibility," Brookings Papers on Economic Activity 1: 1984, 183-221.

Freedman, Audrey. Managing Labor Relations (New York: The Conference Board, 1979).

Freedman, Audrey. Changes in Managing Employee Relations (New York: The Conference Board, forthcoming, 1985).

Jacoby, Sanford, Employing Bureaucracy: Managers, Unions, and the Transformation of Work in American Industry, 1900-1945 (New York: Columbia University Press, forthcoming, 1985).

Kochan, Thomas A. Collective Bargaining and Industrial Relations (Homewood, Illinois: Irwin, 1980).

Slichter, Sumner H. James J. Healy, and E. Robert Livernash. The Impact of Collective Bargaining on Management (Washington, D.C.: The Brookings Institution, 1960).

Selected Publications from our Research

Cappelli, Peter, "Concession Bargaining and the National Economy," Proceedings of the 1982 Meetings of the Industrial Relations Research Association.

\_\_\_\_\_, "Union Gains Under Concession Bargaining," Proceedings of the 1983 Meetings of the Industrial Relations Research Association.

\_\_\_\_\_, and Robert B. McKersie, "Labor and the Crisis in Collective Bargaining," in Thomas A. Kochan (ed) Challenges and Choices for American Labor.

Farber, Henry S. "The Extent of Unionization in the United States," in Challenges and Choices.

Ichniowski, Casey, How Do Labor Relations Matter? A Study of Productivity in Eleven Manufacturing Plants. PhD Dissertation, Sloan School, 1983.

Katz, Harry C. Shifting Gears: Changing Labor Relations in the U.S. Auto Industry. Cambridge, MA: MIT Press, forthcoming,.

\_\_\_\_\_, Kochan, Thomas A. and Kenneth Gobeille, "Industrial Relations Performance, Economic Performance, and Quality of Working Life Efforts: An Inter-Plant Analysis, Industrial and Labor Relations Review, October, 1983.

\_\_\_\_\_, Kochan, Thomas A. and Mark Weber, "Assessing the Effects of Industrial Relations and Quality of Working Life Efforts on Organizational Effectiveness", Academy of Management Journal, forthcoming.

Klein, Janice, First Line Supervisory Reactions and Accommodations to Worker Involvement Programs. PhD Dissertation, Sloan School, 1983.

Kochan, Thomas A. ed., Challenges and Choices for American Labor, Cambridge, MA: MIT Press, 1984.

Kochan, Thomas A. and Peter Cappelli, "The Transformation of the Industrial Relations and Personnel Function," in Paul Osterman (ed) Internal Labor Markets, Cambridge, MA: MIT Press, 1983.

\_\_\_\_\_, Harry Katz, and Nancy Mower, Worker Participation and American Unions: Threat or Opportunity? Kalamazoo, MI: W. E. Upjohn Institute for Employment Research, forthcoming, 1984.

\_\_\_\_\_, Robert B. McKersie, and Peter Cappelli, "Strategic Choice and Industrial Relations Theory," Industrial Relations, Winter, 1984.

\_\_\_\_\_, and Michael Piore, "Will the New Industrial Relations Last? The Annals, May, 1984.

McKersie, Robert B., "Union Involvement in Entrepreneurial Decisions of Business," in Challenges and Choices.

Verma, Anil, Strategic Choice in Industrial Relations at the Plant Level. PhD Dissertation, Sloan School, 1983.

3790 014<sup>000</sup>

MIT LIBRARIES



3 9080 004 481 922







BASEMENT

Date Due

DE 26 '88

JAN 10 1991

MAY 20 1991

Lib-26-67



